AR06

ANNUAL REPORT

FOR THE YEARS ENDED DECEMBER 31, 1986 AND 1985

North West Trust Company

CONTENTS

REPORT TO THE SHAREHOLDERS

This Report is the first since 1984 and provides information on the years ended December 31, 1985 and 1986. In addition, a Proforma Balance Sheet is included which gives effect to a corporate restructuring. The restructuring was necessitated by significant losses incurred during 1985 and 1986, which resulted in North West Trust Company being unable to meet regulatory requirements.

The Province of Alberta and Canada Deposit Insurance Corporation concluded a rehabilitation agreement with effect from January 1987 which established the framework for a strong and viable financial institution serving Western Canada.

This positive initiative by the Province of Alberta and Canada Deposit Insurance Corporation has resulted in the new North West Trust with assets of approximately $800 million which will be invested to the mutual benefit of the Company and the Western economy.

The Proforma Balance Sheet illustrates the strong financial position of the new North West Trust. The Company's high liquidity, combined with a new capital base of $50 million, provides a strong foundation for the future.

In April 1986, Mr. Donald E. Farnell joined the senior management team as Chief Operating Officer. Mr. Farnell has played an integral role in the initiation and implementation of the restructuring plan.

A new Board of Directors was formed in February 1987. The continuity of three existing Directors, Messrs. Donald H. Wheaton, Roy G. Wilson and Norman L. Witten, Q.C., will ensure a smooth transition through the reorganization period. The Company welcomes three new Directors who, in addition to the Chairman, are Messrs. William D. Grace and Robert G. Peters. The added wisdom, knowledge and experience along with new strategic plans which are being implemented will set the groundwork for the Company's new direction. We will be further strengthening the Board with the addition of new members to be elected at the Annual General Meeting.

The operations of North West Trust and Heritage Savings & Trust were merged in March 1987. The blending of the balance sheets, the combined talents of the employee groups, and the integration of customer services from the two operations will further our commitment to providing the best level of financial services in Western Canada.

The Board of Directors and senior management wish to extend their sincere gratitude and appreciation to our valued customers, employees and bonded agents for their continued loyalty and confidence in the Company.

We have a growing sense of confidence in the future of Western Canada and are totally committed to playing a significant role in the economic recovery and resurgence of our Western Provinces. Our revitalized Company, the new North West Trust, anticipates the upcoming year to be the one of new focuses, new challenges and a new dynamic direction.

On behalf of the Board,

Gary G. Campbell, Q.C.
Chairman of the Board

REVIEW OF OPERATIONS

The past two years of 1985 and 1986 have presented substantial challenges to North West Trust in its efforts to resolve the mortgage and real estate problems resulting from the economic turmoil in Alberta and Western Canada in the early 1980's.

The high incidence of loan defaults which commenced in 1982, continued through 1985 and 1986 despite a concentrated program of liquidation of foreclosures from prior years. Market values with respect to real estate underlying the mortgage loans and the inventory of previous foreclosures, continued to decrease during 1985. In 1986, the Company encountered higher vacancy rates and increased competition for rental and leases, resulting in a dramatic increase in the cost of carrying non-productive and low-performing assets.

As a result of these circumstances, the Company recorded a loss for 1985 of $46,072,000, which included a provision of $38,645,000 for losses on loans and on its real estate subsidiary, N.A. Properties Ltd. In 1986, the Company recorded a further loss of $38,042,000, after providing $16,810,000 in rehabilitation expenses as part of an overall restructuring of its assets and operations.

Despite these difficult circumstances, the employees, agents and customers have demonstrated their continued loyalty to North West Trust through their tremendous support and unwavering confidence over the past two years. We now have a staff complement of 163, over 600 bonded agents, and a base of nearly 75,000 customers operating 130,000 accounts throughout the four Western Provinces.

Branch Operations

Customer confidence has remained strong in North West Trust as evidenced by the continual increase in deposits. In 1985, customer deposits grew by 7.8% to $672 million and in 1986, gained an additional 6% to an all-time high of $713 million. One factor partially responsible for these increases was the re-introduction of our daily interest savings and chequing account, re-named as "The Investor" in 1985.

The North West Trust Equity Fund represented a positive contribution to the overall operations of the Company. At December 31, 1986, the Fund had an accumulated value of more than $6 million or 321,262 units with each unit value increasing by 26.7% over the two year period, ending 1986 at $18.71.

In 1985, consumer loans totalled $1,875,000 with the 1986 total increasing over 84% to $3,458,000. The introduction of "The Best Line of Credit", a personal line of credit, in late 1985 played a dominant role in consumer loan growth. Another major influence was the promotion of the Saskatchewan Government sponsored "Home Improvement Loan" program. North West Trust was responsible for writing 15% of the aggregate trust company loans in this program, representing over 17% of the total value. This is indicative of the strong role that a regional financial institution can play in regional incentive programs.

Mortgage Activity

While the overall level of outstanding mortgages declined slightly from $466 million to $453 million over the two year period, insured mortgages increased 17% in 1985 and, as a result of our planned concentration on lending under the NHA Insurance Program, gained 34% in 1986.

Aggressive collection efforts were emphasized in an effort to resolve real estate inventory problems and in September 1986, mortgage lending activities were suspended pending new capitalization. This decision, coupled with the transfer of $62 million to Real Estate due to 1986 foreclosures, resulted in a 7.8% decrease in the conventional portfolio in 1986.

Subsequent Events

The rehabilitation plan, structured to restore the capital of the Company and establish a framework to return the Company to viable operations, came to fruition in early 1987. The effect of this agreement was twofold - the issuance of new Preferred Shares and the sale of discontinued business assets, being primarily the real estate portfolio, the problem mortgage portfolio, and the operations of the subsidiary, N.A. Properties Ltd.

The impact of the rehabilitation agreement is shown in the Proforma Balance Sheet and in Note 2 to the Financial Statements.

On March 13, 1987 the performing assets and customer liabilities of Heritage Savings & Trust Company were acquired and the operations have been integrated into North West Trust Company.

The North West Trust Edmonton Court House Branch has been consolidated into the new and spacious Heritage Branch located on 100 Street, while Calgary's Heritage branch will relocate in May to North West Trust's Calgary Branch in the PanCanadian Plaza. The operations of the Red Deer Branch came to a close on March 31 with the expiration of the property lease.

The Company is presently in the process of a complete operational review which will include implementation recommendations with respect to strengthening the internal audit function and management controls, reviewing the policies and procedures for all departments and formation of management committees. In addition, the Company is currently developing a new comprehensive strategic plan for the future of North West Trust.

Outlook

I am optimistic that the new North West Trust will be a strong and innovative Western financial institution, playing a key role in the ongoing re-development of the Western Canadian economy.

It is too early to say what our new direction will be until the strategic planning process has been completed, but I am confident that, with the guidance of our new Board of Directors, we have a group of dedicated employees, loyal customers and bonded agents who will collectively re-establish North West Trust as a strong financial institution with a high degree of public confidence.

Donald E. Farnell
Chief Operating Officer

COMPANY PROFILE

North West Trust Company is registered as a Trust Company under the provisions of the Trust Companies Act of the Province of Alberta. It is also licensed to carry on the business of a Trust Company in the Provinces of British Columbia, Saskatchewan, Manitoba, New Brunswick, and the Yukon and North West Territories.

North West Trust opened its first branch for business in Edmonton, Alberta on July 1, 1958. By the end of that year, customer deposits had reached $200,000.

Today, North West Trust operates through 13 Branch Offices strategically located in major Western centres. Nearly 75,000 customers operate 130,000 accounts with the Company and at December 31, 1986 customer deposits totalled $713,177,000.

Recognizing the need to bring the Trust Company and its products to rural areas, North West Trust was one of the first companies to develop an agency network in 1970. By the end of 1976, the agency force had grown to 200 Bonded Agents and the Company is now represented by more than 600 Bonded Agents in cities and towns across the four Western Provinces.

This combination of branches and agents provides a variety of financial services and competitive interest rates to investors throughout Western Canada. These services include term deposits, retirement vehicles and loan programs designed to meet the customers' financial requirements.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1986 AND 1985

AUDITORS' REPORT

To the Shareholders of North West Trust Company

We have examined the balance sheets of North West Trust Company as at December 31, 1986 and 1985 and the statements of loss and deficit and changes in financial position for the years ended December 31, 1986 and 1985. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1986 and 1985 and the results of its operations and the changes in its financial position for the years ended December 31, 1986 and 1985 in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Edmonton, Canada
March 27, 1987

Touche Ross & Co.
Chartered Accountants

STATEMENT OF LOSS AND DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 1986 AND 1985

	1986	1985
	($ thousands)	
Revenue:		
Mortgages and loans	$ 55,733	$ 58,686
Securities and deposits	11,474	17,065
Real estate	9,613	8,504
Other income	367	1,231
	77,187	85,486
Expenses:		
Interest on deposits and certificates	70,838	68,828
Salaries and employee benefits	4,497	3,889
Real estate	7,990	6,083
Provision for losses on loans and advances to subsidiary	60	38,645
Other operating expenses	7,859	6,879
Other interest	6,976	7,219
Depreciation	199	15
	98,419	131,558
Loss before the following:	(21,232)	(46,072)
Provision for rehabilitation (Note 2)	(16,810)	—
Loss for the year	(38,042)	(46,072)
Retained earnings (deficit) beginning of year	(39,036)	7,036
Deficit end of year	$(77,078)	$(39,036)
Loss per common share and Class ''A'' Non-Voting share	$ (7.39)	$ (8.95)

(See accompanying notes to financial statements)

BALANCE SHEET

AS AT DECEMBER 31,
1986 AND 1985

ASSETS	Proforma 1986 (Note 10(a))	1986	1985
		($ thousands)	
Cash and short term deposits (Note 2)	$332,114	$ 39,313	$ 62,157
Marketable securities (Note 3)	50,542	50,542	36,776
Income taxes receivable	—	—	4,167
Accounts receivable	475	475	5,570
Note receivable (Note 2)	62,851	—	—
Mortgages and loans (Note 4)	330,042	330,042	313,954
Premises and equipment	853	853	718
Other assets	1,157	1,157	780
Discontinued business assets (Note 2)	—	303,702	305,148
	$778,034	$726,084	$729,270
LIABILITIES			
Deposits:			
Demand and short term	$ 81,310	$ 81,310	$100,881
Guaranteed investment certificates	631,867	631,867	571,146
	713,177	713,177	672,027
Accounts payable and accrued liabilities	8,047	8,047	2,732
Mortgages payable (Note 5)	6,810	6,810	14,123
Subordinated notes (Note 2)	—	57,625	57,961
Liabilities of discontinued business assets (Note 2)	—	13,650	17,610
	14,857	86,132	92,426
	728,034	799,309	764,453
SHAREHOLDERS' EQUITY			
Share capital (Notes 2 and 7)	50,000	3,853	3,853
Deficit	—	(77,078)	(39,036)
	50,000	(73,225)	(35,183)
	$778,034	$726,084	$729,270

(See accompanying notes to financial statements)

On behalf of the Board:

Director

W. D. Grace

Director

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 1986 AND 1985

	1986	1985
	($ thousands)	
Operating activities:		
Cash provided by (used for):		
Loss for the year	$(38,042)	$(46,072)
Provision for losses on loans and advances to subsidiary	60	38,645
Depreciation	199	15
Provision for restructuring	16,810	—
Other	1,846	1,145
	(19,127)	(6,267)
Deposits	23,473	45,777
Operating investment activities:		
Marketable securities	(12,762)	37,797
Income taxes receivable	4,167	224
Mortgages and loans	(13,474)	(49,594)
Discontinued business assets and liabilities	(2,985)	(30,374)
Mortgages payable	(7,405)	(4,061)
	(32,459)	(46,008)
Changes in accounts receivable, other assets and accounts payable	5,942	(6,051)
	(22,171)	(12,549)
Capital investment activities:		
Cash provided by (used for):		
Purchase of office premises and equipment	(337)	(512)
Capital financing activities:		
Cash provided by (used for):		
Repayment of subordinated notes	(336)	(154)
Decrease in cash and short term deposits	(22,844)	(13,215)
Cash and short term deposits, beginning of year	62,157	75,372
Cash and short term deposits, end of year	$ 39,313	$ 62,157

(See accompanying notes to financial statements)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1986 AND 1985

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles, consistently applied and within the framework of the accounting policies summarized below.

a) INVESTMENT IN SUBSIDIARY
The financial statements do not include the assets and liabilities and operations of the Company's wholly owned subsidiary, N.A. Properties Ltd. In accordance with the terms of the rehabilitation agreement (Note 2), the investment in subsidiary was disposed of subsequent to the year-end and accordingly has been recorded at its net realizable value.

b) SECURITIES
Bonds are stated at amortized cost plus accrued interest. Stocks are stated at cost plus accrued dividends. Dividends with record dates prior to the year-end are accrued. A provision for losses is provided where a decline in market value represents other than a temporary diminution of value.

c) MORTGAGES AND LOANS
Mortgages and loans are recorded at amortized cost, which includes amounts advanced, interest capitalized, accrued taxes and adjustments required to restate certain mortgages to prevailing market rates at December 31, 1986, less repayments and provisions for anticipated losses. Where mortgages bear interest rates at below the prevailing market, a discount is recorded which is amortized into income over the term of the mortgage.

d) PREMISES AND EQUIPMENT
Premises and equipment are stated at cost less accumulated depreciation. Depreciation is based on the estimated useful lives of the assets and is calculated using a straight-line or diminishing-balance method as considered most appropriate for each type of asset.

e) DISCONTINUED BUSINESS ASSETS
Discontinued business assets are recorded at their net realizable values and as determined in accordance with the terms of the rehabilitation agreement (Note 2).

2. REHABILITATION AGREEMENT

As a result of significant losses incurred in recent years, the Company was unable to meet regulatory requirements regarding its capital and could not reasonably expect to return to profitable operations.

Arising out of and facilitated by arrangements between the Province of Alberta and the Canada Deposit Insurance Corporation, the Company and 354713 Alberta Ltd., concluded a rehabilitation agreement with effect from January 1, 1987, which, in addition to restoring the capital of the Company, established a framework to return the Company to viable operations.

The agreement and the restructuring of the authorized capital provided the Company with a capital base of $50 million and concluded a number of significant transactions which resulted in the following:

a) SALE OF DISCONTINUED BUSINESS ASSETS AND ISSUANCE OF SHARE CAPITAL:

	($ thousands)
Sale of discontinued business assets (Note 2(d))	$ 303,702
Issuance of 576,250 Class "C" Preferred shares	57,625
Issuance of 21,866,667 Class "B" Preferred shares	65,600
	$ 426,927
Consideration received for the above:	
Cash	$ 292,801
Note receivable bearing interest at prime due 90 days after demand but not later than March 19, 1992	62,851
Retirement of subordinated notes	57,625
Assumption of liabilities of discontinued business assets	13,650
	$ 426,927

Subject to the consent of the Province of Alberta, the Company has the right to cause 354713 Alberta Ltd. to purchase at its book value up to an additional $50 million of certain assets at any time prior to July 1, 1992. The Company has been indemnified by the Province of Alberta from any loss in regard to this obligation.

In addition, the Company has been indemnified by the Province of Alberta from any loss in the event the obligation of 354713 Alberta Ltd. under the note receivable is not performed by it.

b) PROVISION FOR REHABILITATION:
In order to establish the framework for returning the Company to viable operations, at December 31, 1986 the Company provided an amount of $12,310,000 for the estimated costs to establish an acceptable interest rate spread between its interest bearing assets and liabilities and, $4,500,000 for the extraordinary expenses which will be incurred to complete the rehabilitation plan and to re-organize operations.

The adjustment provision for the interest rate spread will be amortized into income over the remaining term of the respective guaranteed investment certificates and mortgages.

c) CHANGES TO THE AUTHORIZED CAPITAL OF THE COMPANY AS APPROVED AT THE SPECIAL GENERAL MEETING OF SHAREHOLDERS HELD MARCH 17, 1987:
  i) cancellation of 1,919,860 unissued common shares without nominal or par value;
  ii) cancellation of 1,929,710 unissued Class ''A'' Non-Voting shares;
  iii) cancellation of 200,000 unissued Class ''B'' Preferred shares without nominal or par value;
  iv) cancellation of 2,400,000 unissued Class ''C'' Preferred shares;
  v) creation of an additional 20,600,000 common shares without par value which may be issued for the maximum aggregate price or consideration of $120,000,000 and which rank pari passu with existing authorized common shares;
  vi) creation of 30,000,000 Class ''B'' Preferred shares with a par value of $3 each;
  vii) creation of 600,000 Class ''C'' Preferred shares with a par value of $100 each;
  viii) creation of 30,000,000 Class ''D'' Preferred shares with a par value of $3 each.

Concurrent with the issuance of Class ''B'' and Class ''C'' Preferred shares, the holders thereof sanctioned a reduction in the stated capital account in the amount of $77,078,000 to be applied against the Company's deficit as of December 31, 1986.

The following is a summary of the authorized and issued and outstanding share capital of the Company as at March 17, 1987 after giving effect to the above changes and the effect of the rehabilitation plan referred to in Note 2(a) above:

	Issue Price	Deficit Reduction	Proforma Capital
		($ thousands)	
Pursuant to the rehabilitation plan:			
600,000 Class ''C'' Preferred shares with a par value of $100 each. Issued and outstanding: 576,250 shares	$ 57,625	$ 11,479	$ 46,146
30,000,000 Class ''B'' Preferred shares with a par value of $3 each. Issued and outstanding: 21,866,667 shares	65,600	65,599	1
30,000,000 Class ''D'' Preferred shares with a par value of $3 each. Issued and outstanding: Nil	—	—	—
Prior to December 31, 1986:			
2,070,290 Class ''A'' Non-Voting shares with a par value of $1 per share. Issued and outstanding: 2,070,290 shares	2,070	—	2,070
23,680,140 common shares without par value. Issued and outstanding: 3,080,140 shares	1,783	—	1,783
	$ 127,078	$ 77,078	$ 50,000

TERMS OF ISSUE:
Class ''C'' Preferred shares have no general voting rights and a fixed non-cumulative dividend of 7% per annum of the par value as declared by the Board of Directors. Class ''C'' Preferred shares may be redeemed at the option of the Company at par value plus accrued and unpaid dividends but excluding interest thereon to the redemption date, and rank in priority to all other classes of shares.

Class ''B'' Preferred shares carry one vote for each share and a fixed non-cumulative dividend of 7% per annum of the par value as declared by the Board of Directors (after all dividends and applicable interest payable on Class ''C'' Preferred shares have been paid). Each Class ''B'' Preferred share is convertible into one common share and ranks in parity with Class ''D'' Preferred shares. Class ''B'' Preferred shares may, if no Class ''C'' Preferred shares are then issued and outstanding, be redeemed at the option of the Company at par value plus all accrued and unpaid dividends but excluding interest thereon to the redemption date.

Class ''D'' Preferred shares carry one vote for each share and a fixed non-cumulative dividend of 7% of the par value per annum as declared by the Board of Directors. Class ''D'' Preferred shares may be redeemed at the option of the Company if no Class ''C'' Preferred shares are then issued and outstanding, at par value plus accrued and unpaid dividends but excluding interest thereon to the redemption date, and rank in parity with Class ''B'' Preferred shares.

Class ''A'' Non-Voting shares are entitled to receive in each fiscal year, when and as declared by the Board of Directors, non-cumulative dividends at the rate of 3¢ per share per annum. No dividends shall be declared and paid or set aside for payment on the common shares in any fiscal year unless and until the dividends at the rate of 3¢ per share are paid on the Class ''A'' Non-Voting shares. Thereafter, dividends of up to 3¢ per share may be paid on the common shares and thereafter any further sums, which the Company declares for payment of dividends, are paid in equal amounts per share on all Class ''A'' Non-Voting shares and common shares without preference or distinction.

Holders of Class ''A'' Non-Voting shares have no voting rights unless and until the Company fails for a period of two consecutive years to pay the dividends at the prescribed rate. In this event and until such time as dividends at the prescribed rate have been paid for two consecutive years, the holders of Class ''A'' Non-Voting shares are entitled to attend shareholders meetings and have one vote for each Class ''A'' Non-Voting share held.

d) DISCONTINUED BUSINESS ASSETS
These assets have been designated as discontinued business assets in the financial statements to distinguish them from the continuing business operations. Details of the discontinued business assets are as follows:

	1986	1985
	($ thousands)	
i) Discontinued business assets:		
Mortgages and loans	$ 106,529	$ 164,586
Real estate	116,071	79,616
Investment in and advances to subsidiary	67,669	58,341
Investment in oil and gas property	10,743	—
Accounts receivable and other	2,690	2,605
	303,702	305,148
ii) Liabilities of discontinued business assets:		
Mortgages payable	(10,170)	(14,470)
Accounts payable and other	(3,480)	(3,140)
	(13,650)	(17,610)
	$ 290,052	$ 287,538

3. MARKETABLE SECURITIES

	1986		1985	
	Cost	Market	Cost	Market
	($ thousands)		($ thousands)	
Bonds:				
Government of Canada	$ 917	$ 957	$ 15,497	$ 16,280
Provincial	681	710	288	300
Corporate	38,842	39,107	14,381	14,429
	40,440	40,774	30,166	31,009
Stocks:				
Preferred	217	195	147	137
Common	9,885	9,994	6,463	6,677
Total securities	$ 50,542	$ 50,963	$ 36,776	$ 37,823

4. MORTGAGES AND LOANS

	1986	1985
	($ thousands)	
Mortgage loans	$ 314,249	$ 283,902
Consumer and collateral loans	12,672	29,265
Lease contracts	3,121	787
	$ 330,042	$ 313,954

5. MORTGAGES PAYABLE

	1986	1985
	($ thousands)	
Wrapped around mortgages, with interest rates ranging from 6.25% to 12.00% maturing between 1987 and 2000	$ 6,810	$ 14,123

The weighted average interest rate of wrapped around mortgages is 8.58%.

Wrapped around mortgages maturing over the next five years are as follows:

	($ thousands)
1987	$ 151
1988	4,344
1989	—
1990	210
1991	—
	$ 4,705

6. INCOME TAXES

On March 19, 1987 the Company became exempt from all taxes imposed under the Income Tax Act pursuant to Section 149 of the Act. The losses available to carry forward are not yet determined and would only be relevent in the event the Company ceases to be exempt.

7. SHARE CAPITAL

Subsequent to the year end, the Company's share capital was restructured, therefore, reference should be made to Note 2(c) for the details of the current authorized, issued and outstanding share capital as approved by the Special General meeting of the shareholders held March 17, 1987.

For the record, the authorized and issued and outstanding share capital of the Company at December 31, 1986 and 1985 was as follows:

	1986	1985
	($ thousands)	
Preferred shares:		
4,000,000 Class "A" Non-Voting shares with a par value of $1 per share. Issued and outstanding: 2,070,290 shares	$ 2,070	$ 2,070
200,000 Class "B" Preferred shares without par value which shall be issued for a price or consideration not exceeding $5,000,000 in the aggregate. Issued and oustanding: Nil	—	—
2,400,000 Class "C" Preferred shares without par value which shall be issued for a price or consideration not exceeding $60,000,000 in the aggregate. Issued and outstanding: Nil	—	—
Common shares:		
5,000,000 common shares without par value which shall be issued for a price or consideration not exceeding $5,000,000 in the aggregate. Issued and outstanding: 3,080,140 shares	1,783	1,783
	$3,853	$3,853

On June 27, 1985 each Class "A" Preferred share having a par value of $10 was redesignated and sub-divided into Class "A" Non-Voting shares with a par value of $1 per share.

In accordance with the terms of issue of the Class "A" Non-Voting shares, as dividends have not been paid for two consecutive years, these shares have become voting shares as at December 31, 1986 and will continue to be voting shares until such time as dividends have been paid at the prescribed rate for two consecutive years.

8. COMMITMENTS AND CONTINGENCIES

Contractual obligations in respect of operating leases for premises expiring at various dates to 1992 amount to $3,685,000 (1985 - $4,203,000). Rent paid in 1986 amounted to $1,367,000 (1985 - $1,353,000). The future minimum payments under the terms of operating leases for the next five years are:

	($ thousands)
1987	$ 734
1988	711
1989	700
1990	700
1991	611

9. PENSION PLAN

The most recent independent actuarial valuation of the Company's pension plan was made December 31, 1985 showing no unfunded liability and a surplus to offset current and future pension costs.

10. SUBSEQUENT EVENTS

a) PROFORMA BALANCE SHEET:
The proforma balance sheet takes into account the rehabilitation agreement as described in Note 2 as if these transactions had taken place on December 31, 1986.

b) HERITAGE SAVINGS AND TRUST COMPANY:
Effective March 13, 1987, the performing assets and customer liabilities of Heritage Savings and Trust Company were transferred to the Company as follows:

	($ thousands)
Assets:	
Cash and marketable securities	$ 28,420
Mortgages and loans	49,616
Other	393
	$ 78,429
Liabilities:	
Deposits and certificates	$ 78,060
Other	369
	$ 78,429

The Heritage transaction has not been included in the proforma balance sheet since this transaction did not take effect until March 13, 1987.

BOARD OF DIRECTORS

Gary G. Campbell, Q.C. * 1,4
Chairman

William D. Grace, F.C.A. * 1,2,4
Financial and Management Consultant

Robert G. Peters * 1,3,4
President, Peters & Co. Limited

Donald H. Wheaton
President, Don Wheaton Ltd.

Roy G. Wilson 2,3
Corporate Director

Norman L. Witten, Q.C. 2
Barrister & Solicitor, Witten Binder

Appointed February 26, 1987*
Member of Executive Committee 1
Member of Audit Committee 2
Member of Investment Committee 3
Member of Loan Committee 4

EXECUTIVE OFFICERS

Gary G. Campbell, Q.C.
Chairman, President &
Chief Executive Officer

William D. Grace, F.C.A.
Board Vice-President

Norman L. Witten, Q.C.
Secretary

Donald E. Farnell
Chief Operating Officer

R. Lawrence Nicholson, C.M.A.
Senior Vice-President &
Chief Financial Officer

David R. Gourlay, C.M.A.
Vice-President, Branch Operations

Erwin Granson, C.M.A.
Vice-President, Controller

Einar N. Myrholm
Vice-President, Mortgage Investments

Roger J. Pogue
Vice-President, Audit Services

CORPORATE INFORMATION

Registrar and Transfer Agent
North West Trust Company

Bankers
Treasury Branches of Alberta
Royal Bank of Canada

Auditors
Touche Ross & Co.

BRANCH SERVICES

Deposit Services

Guaranteed Investment Certificates
Short Term Certificates
Chequing Accounts
Savings Accounts
Daily Interest Savings Accounts
Nugget - Stripped bond/coupon
North West Trust Equity Fund

Customer Services

Deposit by Mail
Money Orders
Payment of Utility Bills
Safety Deposit Boxes
Travellers Cheques

Tax Deferred Investments

Registered Retirement Savings Plans
Registered Retirement Income Funds
Nugget - Stripped bond/coupon
North West Trust Equity Fund
Deferred Profit Sharing Plans

Financing Services

Best Line of Credit
Commercial and Residential Mortgage Loans
Consumer Loans
Leasing and Term Lending

Corporate Services

Investment Accounts
Stock Transfer Agent & Registrar
Transfer and Agent for pension, profit sharing and other employee benefit programs

HEAD OFFICE

7th Floor, 10201 Jasper Avenue
Edmonton, Alberta
Telephone: (403) 420-6071

BRANCH OFFICES

CALGARY
PanCanadian Plaza
150 - 9th Avenue, S.W.
Telephone: (403) 264-5423

CAMROSE
4895 - 50 Street
Telephone: (403) 672-7769

EDMONTON
10205 Jasper Avenue
Telephone: (403) 428-1212

10166 - 100 Street
Telephone: (403) 422-6211

7933 - 104 Street
Telephone: (403) 433-4286

LETHBRIDGE
College Mall
2025 Mayor Magrath Drive
Telephone: (403) 328-9199

NEW WESTMINSTER
632 Columbia Street
Telephone: (604) 522-0757

REGINA
1920 Broad Street
Telephone: (306) 565-0660

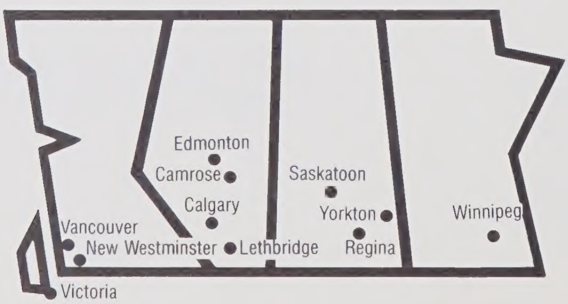
SASKATOON
129 - 2 Avenue North
Telephone: (306) 934-6161

YORKTON
Parkland Mall
#52, 277 Broadway Street East
Telephone: (306) 782-1002

VANCOUVER
803 Hornby Street
Telephone: (604) 685-0451

VICTORIA
1113 Blanshard Street
Telephone: (604) 386-3534

WINNIPEG
234 Portage Avenue
Telephone: (204) 947-0631



AGENTS THROUGHOUT WESTERN CANADA